

AMENDED IN ASSEMBLY JULY 30, 1998

AMENDED IN ASSEMBLY JULY 21, 1998

AMENDED IN ASSEMBLY JULY 1, 1998

AMENDED IN SENATE APRIL 13, 1998

**SENATE BILL**

**No. 2237**

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**Introduced by Committee on Revenue and Taxation  
(Senators Alpert (Chair), Greene, Karnette, Knight, Lee,  
and McPherson)**

March 3, 1998

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An act to amend Section 25105.5 of the Government Code, to amend Section 4582.8 of the Public Resources Code, and to amend Sections 64, 75.21, 95.31, 452, and 5802 of, and to add Sections 207.1 and 38116 to, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 2237, as amended, Committee on Revenue and Taxation. Taxation: property: timber.

Existing law requires the Director of Forestry and Fire Protection to transmit copies of specified notices of exemption or emergency relating to timber to the State Board of Equalization.

This bill would require that those notices include an estimate of the timber owner as to whether or not the subject timber will be subject to timber yield tax, as provided.

Existing property tax law provides that the purchase or transfer of ownership interests in legal entities shall not be

deemed to constitute a transfer of the real property of the entity.

This bill would make a technical, nonsubstantive change to those provisions.

Existing property tax law specifies that exemptions shall be applied to the amount of the supplemental assessment, as defined, provided, among other things, that claims for exemption are filed.

This bill would reduce the number of times a claim is required to be filed, and provide that personal property leased to a church and used as provided shall be deemed to be used exclusively for religious purposes.

Existing property tax law provides for certain fiscal years that an eligible county participating in the State-County Property Tax Administration Program may receive a loan for up to amounts specified by the Director of Finance.

This bill would provide that ~~in no event shall~~ the Director of Finance *may* specify a loan amount ~~that is less than \$25,000 equal to the lesser of \$25,000 or the maximum amount that can be repaid, as provided.~~

Existing property tax law requires the State Board of Equalization to prescribe the content of property statements, and notify assessors of the same.

This bill would change the time period to notify assessors of the contents of the property statements, as provided.

The Mobilehome Property Tax Law provides for the taxation of mobilehomes.

This bill would make a technical, nonsubstantive change to that law relating to base year value, as defined.

The Timber Yield Tax Law imposes a tax on timber owners with respect to the harvesting of timber or felled or downed timber at specified rates.

This bill would exempt from the tax, timber whose immediate harvest value is low, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



*The people of the State of California do enact as follows:*

SECTION 1. Section 25105.5 of the Government Code is amended to read:

25105.5. The clerk of the board of supervisors may, without complying with any other provision of law, destroy records consisting of claims against the county and claims against special districts for which the board of supervisors is the governing body, whenever the claims have been retained by the clerk for a period of not less than five years after final action on the claim. The clerk of the board of supervisors may destroy records consisting of assessment appeal applications when five years have elapsed since the final action on the application. The clerk may destroy the records three years after the final action on the application, if the records consisting of assessment appeal applications have been microfilmed, microfiched, imaged, or otherwise preserved on a medium that provides access to the documents, in accordance with Section 25105.

As used in this section “final action” means, in the case of an assessment appeals application, the date of the final decision by the assessment appeals board and, in the case of a claim, the date of payment or settlement of the claim, or denial or approval of the claim by or in behalf of the board of supervisors or by operation of law, whichever occurs first, if there is no action pending involving the application or claim.

SEC. 2. Section 4582.8 of the Public Resources Code is amended to read:

4582.8. Within 10 days from the date that a timber harvesting plan is determined to be in conformance under Section 4582.7, or within 10 days from the date of receipt of a notice of timber operations, a nonindustrial timber harvest notice, a notice of exemption to convert less than three acres to a nontimber use pursuant to Section 4584, or an emergency notice filed pursuant to Section 4592, the director shall transmit copies thereof to the State Board of Equalization. Any notice of exemption or notice of emergency transmitted to the State Board of

1 Equalization pursuant to this section shall include, among  
2 other things, an estimate of the timber owner as to  
3 whether the timber to be harvested pursuant to the  
4 notice will or will not be exempt from timber yield tax  
5 pursuant to Section 38116 of the Revenue and Taxation  
6 Code as interpreted and implemented by the State Board  
7 of Equalization.

8 SEC. 3. Section 64 of the Revenue and Taxation Code  
9 is amended to read:

10 64. (a) Except as provided in subdivision (i) of  
11 Section 61 and subdivisions (c) and (d) of this section, the  
12 purchase or transfer of ownership interests in legal  
13 entities, such as corporate stock or partnership or limited  
14 liability company interests, shall not be deemed to  
15 constitute a transfer of the real property of the legal  
16 entity. This subdivision is applicable to the purchase or  
17 transfer of ownership interests in a partnership without  
18 regard to whether it is a continuing or a dissolved  
19 partnership.

20 (b) Any corporate reorganization, where all of the  
21 corporations involved are members of an affiliated group,  
22 and that qualifies as a reorganization under Section 368 of  
23 the United States Internal Revenue Code and that is  
24 accepted as a nontaxable event by similar California  
25 statutes, or any transfer of real property among members  
26 of an affiliated group, or any reorganization of farm credit  
27 institutions pursuant to the federal Farm Credit Act of  
28 1971 (Public Law 92-181), as amended, shall not be a  
29 change of ownership. The taxpayer shall furnish proof,  
30 under penalty of perjury, to the assessor that the transfer  
31 meets the requirements of this subdivision.

32 For purposes of this subdivision “affiliated group”  
33 means one or more chains of corporations connected  
34 through stock ownership with a common parent  
35 corporation if both of the following conditions are met:

36 (1) One hundred percent of the voting stock,  
37 exclusive of any share owned by directors, of each of the  
38 corporations, except the parent corporation, is owned by  
39 one or more of the other corporations.



1 (2) The common parent corporation owns, directly,  
2 100 percent of the voting stock, exclusive of any shares  
3 owned by directors, of at least one of the other  
4 corporations.

5 (c) (1) When a corporation, partnership, limited  
6 liability company, other legal entity, or any other person  
7 obtains control through direct or indirect ownership or  
8 control of more than 50 percent of the voting stock of any  
9 corporation, or obtains a majority ownership interest in  
10 any partnership, limited liability company, or other legal  
11 entity through the purchase or transfer of corporate  
12 stock, partnership, or limited liability company interest,  
13 or ownership interests in other legal entities, including  
14 any purchase or transfer of 50 percent or less of the  
15 ownership interest through which control or a majority  
16 ownership interest is obtained, the purchase or transfer  
17 of that stock or other interest shall be a change of  
18 ownership of the real property owned by the corporation,  
19 partnership, limited liability company, or other legal  
20 entity in which the controlling interest is obtained.

21 (2) On or after January 1, 1996, when an owner of a  
22 majority ownership interest in any partnership obtains all  
23 of the remaining ownership interests in that partnership  
24 or otherwise becomes the sole partner, the purchase or  
25 transfer of the minority interests, subject to the  
26 appropriate application of the step-transaction doctrine,  
27 shall not be a change in ownership of the real property  
28 owned by the partnership.

29 (d) If property is transferred on or after March 1, 1975,  
30 to a legal entity in a transaction excluded from change in  
31 ownership by paragraph (2) of subdivision (a) of Section  
32 62, then the persons holding ownership interests in that  
33 legal entity immediately after the transfer shall be  
34 considered the "original coowners." Whenever shares or  
35 other ownership interests representing cumulatively  
36 more than 50 percent of the total interests in the entity  
37 are transferred by any of the original coowners in one or  
38 more transactions, a change in ownership of that real  
39 property owned by the legal entity shall have occurred,  
40 and the property that was previously excluded from

1 change in ownership under the provisions of paragraph  
2 (2) of subdivision (a) of Section 62 shall be reappraised.

3 The date of reappraisal shall be the date of the transfer  
4 of the ownership interest representing individually or  
5 cumulatively more than 50 percent of the interests in the  
6 entity.

7 A transfer of shares or other ownership interests that  
8 results in a change in control of a corporation,  
9 partnership, limited liability company, or any other legal  
10 entity is subject to reappraisal as provided in subdivision  
11 (c) rather than this subdivision.

12 (e) In order to assist in the determination of whether  
13 a change of ownership has occurred under subdivisions  
14 (c) and (d), the Franchise Tax Board shall include a  
15 question in substantially the following form on returns for  
16 partnerships, banks, and corporations (except  
17 tax-exempt organizations):

18  
19 If the corporation (or partnership or limited liability  
20 company) owns real property in California, has  
21 cumulatively more than 50 percent of the voting stock (or  
22 more than 50 percent of total interest in both partnership  
23 or limited liability company capital and partnership or  
24 limited liability company profits) (1) been transferred by  
25 the corporation (or partnership or limited liability  
26 company) since March 1, 1975, or (2) been acquired by  
27 another legal entity or person during the year? (See  
28 instructions.)

29  
30 If the entity answers “yes” to (1) or (2) in the above  
31 question, then the Franchise Tax Board shall furnish the  
32 names and addresses of that entity and of the stock or  
33 partnership or limited liability company ownership  
34 interest transferees to the State Board of Equalization.

35 SEC. 4. Section 75.21 of the Revenue and Taxation  
36 Code is amended to read:

37 75.21. (a) Exemptions shall be applied to the amount  
38 of the supplemental assessment, provided that the  
39 property is not receiving any other exemption on either  
40 the current roll or the roll being prepared except as



1 provided for in subdivision (b), that the assessee is  
2 eligible for the exemption, and that in those instances in  
3 which the provisions of this division require the filing of  
4 claims for exemption, the assessee makes a claim for the  
5 exemption for the next succeeding lien date.

6 (b) If the property received an exemption on the  
7 current roll or the roll being prepared and the assessee on  
8 the supplemental roll is eligible for an exemption and in  
9 those instances in which the provisions of this division  
10 require the filing of claims for exemption, the assessee  
11 makes a claim for the next succeeding lien date for an  
12 exemption of a greater amount, then the difference in the  
13 amount between the two exemptions shall be applied to  
14 the supplemental assessment.

15 (c) For purposes of this section, any claim for the  
16 homeowners' exemption, veterans' exemption, or  
17 disabled veterans' exemption previously filed by the  
18 owner of a dwelling, granted and in effect, constitutes the  
19 claim or claims for that exemption required in this  
20 section. In the event that no claim for the homeowners'  
21 exemption, veterans' exemption, or disabled veterans'  
22 exemption is in effect, a claim for any of those exemptions  
23 for a single supplemental assessment for a change in  
24 ownership or new construction occurring on or after June  
25 1, up to and including December 31, shall apply to that  
26 assessment; a claim for any of those exemptions for the  
27 two supplemental assessments for a change in ownership  
28 or new construction occurring on or after January 1, up  
29 to and including May 31, one for the current fiscal year  
30 and one for the following fiscal year, shall apply to those  
31 assessments. In either case, if granted, the claim shall  
32 remain in effect until title to the property changes, the  
33 owner does not occupy the home as his or her principal  
34 place of residence on the lien date, or the property is  
35 otherwise ineligible pursuant to Section 205, 205.5, or 218.

36 SEC. 5. Section 95.31 of the Revenue and Taxation  
37 Code is amended to read:

38 95.31. (a) (1) Notwithstanding any other provision  
39 of law, any eligible county may, upon the  
40 recommendation of the county assessor, and by resolution

1 of the board of supervisors of that county adopted not  
2 later than December 1 of the fiscal year for which it is to  
3 first apply, elect to participate in the State-County  
4 Property Tax Administration Program.

5 (2) Except as specified in paragraph (3), for the  
6 purposes of this section, an eligible county shall mean a  
7 county in which additional property tax revenue  
8 allocated to school entities would reduce the amount of  
9 General Fund moneys apportioned to school entities.  
10 However, eligibility shall be terminated when, in  
11 combination with resources in the Educational Revenue  
12 Augmentation Fund, additional property tax revenues  
13 allocated to school entities will not result in a reduction  
14 in the General Fund apportionments.

15 (3) Notwithstanding paragraph (2), both the County  
16 of Solano and the County of San Benito shall be deemed  
17 eligible counties that may, upon the recommendation of  
18 the county assessor, and by resolution of the board of  
19 supervisors of the county adopted on or before March 31,  
20 1996, elect to participate in the State-County Property  
21 Tax Administration Program.

22 (b) (1) In each fiscal year from the 1995–96 fiscal year  
23 to the 2000–01 fiscal year, inclusive, an eligible county  
24 participating in the State-County Property Tax  
25 Administration Program may receive a loan for up to the  
26 amount listed in paragraph (3). The loan shall be repaid  
27 by June 30 of the fiscal year following the year in which  
28 the loan is made. However, at the discretion of the  
29 Director of Finance, the loan may be renewed once for  
30 an additional 12-month period at the request of the  
31 participating county board of supervisors. For the  
32 Counties of Fresno, Orange, San Benito, and Solano any  
33 loan agreement signed on or before July 31, 1996, shall be  
34 deemed a loan agreement for the 1995–96 fiscal year for  
35 the purposes of this section.

36 (2) If an eligible county elects to participate in the  
37 State-County Property Tax Administration Program, it  
38 shall enter into a contractual agreement with the  
39 Department of Finance. At a minimum, the contractual  
40 agreement shall include the following:



(A) The loan amount, as determined by the Director of Finance.

(B) Repayment provisions, including the interception of Motor Vehicle License Fee Account moneys apportioned pursuant to Section 11005 to repay the General Fund.

(C) A listing of the proposed use of the additional resources including, but not limited to:

(i) Proposed new positions.

(ii) Increased automation costs.

(D) An agreement to provide to the Department of Finance, by March 31 of the fiscal year in which the loan is made, a report projecting the impact of the increased funding in the current and subsequent fiscal year.

(3) Upon request of the Department of Finance, the Controller shall provide a loan to counties in the amount specified by the Director of Finance.

(4) For each county, the Director of Finance may specify any loan amount up to the amount listed below.

Jurisdiction	Amount
Alameda .....	\$ 2,152,429
Alpine .....	3,124
Amador .....	80,865
Butte .....	381,956
Calaveras .....	109,897
Colusa .....	53,957
Contra Costa .....	2,022,088
Del Norte .....	36,203
El Dorado .....	302,795
Fresno .....	1,165,249
Glenn .....	59,197
Humboldt .....	210,806
Imperial .....	231,673
Inyo .....	100,080
Kern .....	1,211,318
Kings .....	138,653
Lake .....	117,376
Lassen .....	54,699
Los Angeles .....	13,451,670

1	Madera .....	212,991
2	Marin .....	790,490
3	Mariposa .....	46,476
4	Mendocino .....	160,435
5	Merced .....	298,004
6	Modoc .....	24,022
7	Mono .....	47,778
8	Monterey .....	795,819
9	Napa .....	366,020
10	Nevada .....	234,292
11	Orange .....	6,826,325
12	Placer .....	628,047
13	Plumas .....	80,606
14	Riverside .....	2,358,068
15	Sacramento .....	1,554,245
16	San Benito .....	90,408
17	San Bernardino .....	2,139,938
18	San Diego .....	5,413,943
19	San Francisco .....	1,013,332
20	San Joaquin .....	818,686
21	San Luis Obispo .....	736,288
22	San Mateo .....	2,220,001
23	Santa Barbara .....	926,817
24	Santa Clara .....	4,213,639
25	Santa Cruz .....	565,328
26	Shasta .....	342,399
27	Sierra .....	7,383
28	Siskiyou .....	91,164
29	Solano .....	469,207
30	Sonoma .....	1,035,049
31	Stanislaus .....	866,155
32	Sutter .....	147,436
33	Tehama .....	97,222
34	Trinity .....	24,913
35	Tulare .....	501,907
36	Tuolumne .....	126,067
37	Ventura .....	1,477,789
38	Yolo .....	278,309
39	Yuba .....	88,968
40		

~~(5) Notwithstanding paragraph (4), in no event shall the Director of Finance specify a loan amount that is less than \$25,000.~~

*(5) For any county for which the amount listed in paragraph (4) is less than twenty-five thousand dollars (\$25,000), the Director of Finance may specify a loan amount equal to the lesser of twenty-five thousand dollars (\$25,000) or the maximum amount that the Department of Finance estimates can be repaid by the county.*

(6) The Department of Finance shall consider any or all of the following items in determining the extent to which a county has satisfied the terms and repaid the loan, pursuant to the contract, as offered under this part:

(A) County performance as indicated by the State Board of Equalization's sample survey required pursuant to Section 15640 of the Government Code.

(B) Performance measures adopted by the California Assessors' Association.

(C) Reduction of backlog of assessment appeals and Proposition 8 declines in value.

(D) County compliance with mandatory audits required by Section 469.

(E) Reduction of backlogs in new construction, changes in ownership, and supplemental roll.

(F) Other measures, as determined by the Director of Finance.

(7) The Director of Finance shall notify the Controller of any participating county that fails to comply with the terms of the agreement, including the repayment of the loan. When the Controller receives notice from the Director of Finance, the Controller shall make an apportionment to the General Fund on behalf of the participating county in the amount of that required payment for the purpose of making that payment. The Controller shall make that payment only from moneys credited to the Motor Vehicle License Fee Account in the Transportation Tax Fund to which the participating county is entitled at that time under Chapter 5 (commencing with Section 11001) of Part 5 of Division 2, and shall thereupon reduce, by the amount of the

1 payment, the subsequent allocation or allocations to  
2 which the county would otherwise be entitled under that  
3 chapter.

4 (c) (1) Funds appropriated for purposes of this  
5 section shall be used to enhance the property tax  
6 administration system by providing supplemental  
7 resources. Amounts provided to any county as a loan  
8 pursuant to this section shall not be used to supplant the  
9 current level of funding. In order to participate in the  
10 State-County Property Tax Administration Program, a  
11 participating county shall maintain a base staffing,  
12 including contract staff, and total funding level in the  
13 county assessor's office, independent of the loan proceeds  
14 provided pursuant to this act, equal to the levels in the  
15 1994-95 fiscal year exclusive of amounts provided to the  
16 assessor's office pursuant to Item 9100-102-001 of the  
17 Budget Act of 1994. However, in a county in which the  
18 1994-95 funding level for the assessor's office was higher  
19 than the 1993-94 level, the 1993-94 fiscal year staffing and  
20 funding levels shall be considered the base year for  
21 purposes of this section. Commencing with the 1996-97  
22 fiscal year, if a county was otherwise eligible but was  
23 unable to participate in this program in the 1995-96 fiscal  
24 year because it did not meet the funding level and staffing  
25 requirements of this paragraph, that county shall  
26 maintain a base staffing, including contract staff, and total  
27 funding level in the county assessor's office equal to the  
28 levels in the 1995-96 fiscal year.

29 (2) Prior to the assessor's recommendation for  
30 participation in the State-County Property Tax  
31 Administration Program, the assessor shall consult with  
32 the county tax collector, and any other county agency  
33 directly involved in property tax administration, to  
34 discuss the needs of the program for the duration of the  
35 contractual agreement.

36 (d) A participating county may establish a tracking  
37 system whereby a work or function number is assigned to  
38 each appraisal or administrative activity. That system  
39 should provide statistical data on the number of  
40 production units performed by each employee and the



1 positive and negative change in assessed value  
2 attributable to the activities performed by each  
3 employee.

4 (e) Notwithstanding Section 95.3, no amount of funds  
5 provided to an eligible county pursuant to this section  
6 shall result in any deduction from those property tax  
7 administrative costs that are eligible for reimbursement  
8 pursuant to Section 95.3.

9 (f) At the request of the Department of Finance, the  
10 board shall assist the Department of Finance in  
11 evaluating contracts entered into pursuant to this section.

12 SEC. 6. Section 207.1 is added to the Revenue and  
13 Taxation Code, to read:

14 207.1. Personal property leased to a church and used  
15 exclusively for the purposes described in Section 207 shall  
16 be deemed to be used exclusively for religious purposes  
17 under that section.

18 The exemption provided by this section is granted  
19 pursuant to the authority in Section 2 of Article XIII of the  
20 California Constitution.

21 SEC. 7. Section 452 of the Revenue and Taxation  
22 Code is amended to read:

23 452. For the assessment year beginning in 1968 and  
24 each assessment year thereafter, the board shall prescribe  
25 in detail the content of property statements, including  
26 the specific wording, to be used by all assessors in the  
27 several counties, and cities and counties, and shall notify  
28 assessors of those specifications no later than the August  
29 31 prior to the tax lien date on which they become  
30 effective. Each assessor shall incorporate the  
31 specifications on the exact form he or she proposes to use  
32 and submit that form to the board for approval prior to  
33 use. The property statement shall not include any  
34 question that is not germane to the assessment function.

35 SEC. 8. Section 5802 of the Revenue and Taxation  
36 Code, as amended by Section 14 of Chapter 1222 of the  
37 Statutes of 1994, is amended to read:

38 5802. (a) Except as provided in subdivisions (b) and  
39 (c), “base year value” as used in this part means the full  
40 cash value of a manufactured home on the date the

1 manufactured home is purchased or changes ownership.  
2 If the manufactured home undergoes any new  
3 construction after it is purchased or changes ownership,  
4 the base year value of the new construction is its full cash  
5 value on the date on which the new construction is  
6 completed, and if uncompleted, on the lien date.

7 (b) The base year value of a manufactured home for  
8 which the license fee is delinquent shall be its full cash  
9 value on the lien date for the fiscal year in which it is first  
10 enrolled.

11 (c) The base year value of a manufactured home  
12 converted pursuant to Section 18119 of the Health and  
13 Safety Code from taxation under Part 5 (commencing  
14 with Section 10701) of Division 2 to taxation under this  
15 part shall be its full cash value on the lien date for the fiscal  
16 year in which that manufactured home is first enrolled.

17 (d) Notwithstanding any other provision of law, the  
18 assessor shall determine the base year value of a  
19 manufactured home, located in a resident-owned  
20 mobilehome park or a rental park in the process of being  
21 changed to resident ownership, that is converted to  
22 property taxation by the registered owner pursuant to  
23 Section 18555 of the Health and Safety Code, so that the  
24 property taxes levied, after adjustment for any applicable  
25 exemption, shall be the same amount as the vehicle  
26 license fee that was imposed for the registration year in  
27 which the home was converted to property taxation.

28 (e) This section shall remain in effect until January 1,  
29 1999, and on that date is repealed.

30 SEC. 9. Section 5802 of the Revenue and Taxation  
31 Code, as amended by Section 15 of Chapter 1222 of the  
32 Statutes of 1994, is amended to read:

33 5802. (a) Except as provided in subdivisions (b) and  
34 (c), “base year value” as used in this part means the full  
35 cash value of a manufactured home on the date the  
36 manufactured home is purchased or changes ownership.  
37 If the manufactured home undergoes any new  
38 construction after it is purchased or changes ownership,  
39 the base year value of the new construction is its full cash

1 value on the date on which the new construction is  
2 completed, and if uncompleted, on the lien date.

3 (b) The base year value of a manufactured home for  
4 which the license fee is delinquent shall be its full cash  
5 value on the lien date for the fiscal year in which it is first  
6 enrolled.

7 (c) The base year value of a manufactured home  
8 converted pursuant to Section 18119 of the Health and  
9 Safety Code from taxation under Part 5 (commencing  
10 with Section 10701) of Division 2 to taxation under this  
11 part shall be its full cash value on the lien date for the fiscal  
12 year in which that manufactured home is first enrolled.

13 (d) This section shall become operative on January 1,  
14 1999.

15 SEC. 10. Section 38116 is added to the Revenue and  
16 Taxation Code, to read:

17 38116. (a) Subject to the limitation in subdivision  
18 (b), there is exempted from the tax imposed by this part  
19 timber whose immediate harvest value is so low that, if  
20 not exempt, the tax on the timber would amount to less  
21 than the cost of administering and collecting the tax, as  
22 determined by the board by rule. The board, after  
23 consultation with the Timber Advisory Committee, shall  
24 establish by rule the level at which the tax that would  
25 apply is less than the cost to administer and collect the tax.

26 (b) The board shall have no authority to exempt  
27 timber with an estimated immediate harvest value of  
28 more than three thousand dollars (\$3,000).